

IMPROVEMENTS IN FEDERAL CIVIL SERVICE
RETIREMENT BENEFITS CONTAINED IN
PUBLIC LAW 854 (H. R. 7619)

COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
EIGHTY-FOURTH CONGRESS, SECOND SESSION



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FOREWORD

The President has signed into law the bill, H. R. 7619 (Public Law 854).

Many new retirement benefits for Federal employees are contained in this legislation. Annuities are increased for Federal employees and their widows and dependent widowers on the average of approximately 25 percent and those for surviving children by approximately 150 percent.

The value of the benefits provided by this law is estimated at \$340 million a year of which the employees will contribute approximately \$45 million, resulting from an increase in their payroll deduction from 6 percent to 6½ percent.

At the present time, civil service annuities are based upon 1½ percent of the highest average annual salary over a period of 5 consecutive years times the total years of service. This bill will change that formula so that it will be 1½ percent for the first 5 years of service, 1¼ percent for the next 5 years of service and 2 percent for the remainder, multiplied by the years of service.

The annuity of an employee electing a survivor annuity will be reduced by 2½ percent of the first \$2,400 and 10 percent of the balance. The present reduction is 5 percent of the first \$1,500 and 10 percent of the balance.

Optional retirement is authorized at age 62 after 5 years of service, with the right to elect survivor benefits. Present law provides an annuity after 5 years of service, but requires 15 years of service for election of survivor benefits.

The present right to retire on a reduced annuity at age 55 after 30 years of service is continued.

The reduction factor for retirement before reaching age 60 is changed from 3 percent a year to 1 percent for each year the retiring employee is under age 60 and 2 percent for each year under age 55.

Disability benefits are liberalized by providing a minimum of 40 percent of the average salary, or the annuity which would have been earned at age 60, whichever is the lesser.

An annuity is granted upon involuntary separation after attaining the age of 50 years with 20 years of service, and the existing provision for annuity upon involuntary separation after 25 years of service, regardless of age, is continued.

Upon death of an employee after 5 years of service, or of a retired employee, the surviving widow or widower will receive an annuity equal to 50 percent of the earned annuity of the decedent, beginning the first month after such death.

Survivor annuities of children of an employee who dies after 5 years of service, or of a retired employee who dies, are increased by an average of 150 percent.

An annuitant who is reemployed and serves at least 1 full-time year on active duty in a position covered by the Retirement Act will receive

an annuity based on his reemployed service as well as his annuity based on the original retirement. Any lump-sum leave credit will not be reduced by reason of annuity paid to him during reemployment.

I requested the Civil Service Commission to prepare a comparison between present law and the new law, together with some typical examples of the benefits to Federal employees. This information is contained in this committee print.

TOM MURRAY, *Chairman.*

IMPROVEMENTS IN FEDERAL CIVIL-SERVICE RETIREMENT BENEFITS CONTAINED IN PUBLIC LAW 854 (H. R. 7619)

Highlights of civil-service retirement system before and after 1956 amendments

Feature	Before (employees separated before Oct. 1, 1956)	After (employees in service on or after Oct. 1, 1956)
Salary deductions.....	6 percent of basic salary.....	6½ percent of basic salary, effective 1st pay period beginning after Sept. 30, 1956.
Agency payments to retirement fund.	None. Government made direct appropriations to the retirement fund.	Each agency will pay into the retirement fund an amount equal to the 6½-percent deductions of its employees, effective the 1st pay period which begins after June 30, 1957. Additional appropriations are authorized.
General formula for computing annuity.	1 percent of average salary plus \$25, or 1½ percent of average salary, times years of service. (Average salary is the average annual salary for the highest 5-year period).	1st 5 years of service, 1½ percent of average salary (or 1 percent plus \$25) times years not exceeding 5. Next 5 years of service, 1¾ percent of average salary (or 1 percent plus \$25) times years of service between 5 and 10. Service in excess of 10 years, 2 percent of average salary (or 1 percent plus \$25) times years of service in excess of 10.
Investigatory employees, 2 percent of average salary times years of service not exceeding 30. Maximum annuity, 80 percent of average salary.		Investigatory employees, 2 percent of average salary times years of service, not limited to 30. Same as before.
Examples of annuity computations.	<p>30 years' service, average salary \$6,000: 1½ percent × \$6,000 × 30... \$2,700</p> <p>20 years' service, average salary \$4,000: [(1 percent × \$4,000 + \$25) × 20]..... \$1,300</p> <p>25 years' service, average salary \$3,000: [(1 percent × \$3,000 + \$25) × 25]..... \$1,375</p> <p>20 years' service, average salary \$2,000: [(1 percent × \$2,000 + \$25) × 20]..... \$900</p>	<p>30 years' service, average salary \$6,000: 1½ percent × \$6,000 × 5..... \$450 1¾ percent × \$6,000 × 5..... 525 2 percent × \$6,000 × 20..... 2,400 Annuity..... 3,375</p> <p>20 years' service, average salary \$4,000: [(1 percent × \$4,000 + \$25) × 5]..... \$325 1¾ percent × \$4,000 × 5..... 350 2 percent × \$4,000 × 10..... 800 Annuity..... 1,475</p> <p>25 years' service, average salary \$3,000: [(1 percent × \$3,000 + \$25) × 5]..... \$275 [(1 percent × \$3,000 + \$25) × 5]..... 275 2 percent × \$3,000 × 15..... 900 Annuity..... 1,450</p> <p>20 years' service, average salary \$2,000: [(1 percent × \$2,000 + \$25) × 5]..... \$225 [(1 percent × \$2,000 + \$25) × 5]..... 225 [(1 percent × \$2,000 + \$25) × 10]..... 450 Annuity..... 900</p>
Annuity reduction for retirement (other than disability) before age 60.	¼ percent for each month under age 60 (3 percent a year).	½ percent for each of first 60 months under age 60 (1 percent a year), plus ¾ percent for each additional month under age 60 (2 percent a year).
Annuity reduction to provide annuity for surviving spouse.	5 percent of 1st \$1,500, plus 10 percent of annuity over \$1,500, plus ¾ percent for each year spouse is under age 60.	2½ percent of 1st \$2,400, plus 10 percent of annuity over \$2,400. Reductions are applied only to the portion of annuity the retiring employee designates as a basis for survivor annuity.

CIVIL SERVICE RETIREMENT BENEFITS

Highlights of civil-service retirement system before and after 1956 amendments—Con.

Feature	Before (employees separated before Oct. 1, 1956)	After (employees in service on or after Oct. 1, 1956)																										
Mandatory separation.....	Employee (except legislative and judicial) is mandatorily retired at the end of the month in which he (1) is age 70, and (2) has at least 15 years of service.	Same as before, except that judicial employees (other than those appointed for a specified term) are made subject to mandatory separation at age 70 with 15 years' service.																										
Retirement with immediate annuity.	<table><tr><th>Age</th><th>Years of service</th></tr><tr><td>62.....</td><td>5.</td></tr><tr><td>60.....</td><td>30.</td></tr><tr><td>55.....</td><td>30 (reduced annuity).</td></tr><tr><td>Any.....</td><td>25 (after involuntary separation—reduced annuity).</td></tr><tr><td>50.....</td><td>20 (investigatory employee).</td></tr></table>	Age	Years of service	62.....	5.	60.....	30.	55.....	30 (reduced annuity).	Any.....	25 (after involuntary separation—reduced annuity).	50.....	20 (investigatory employee).	<table><tr><th>Age</th><th>Years of service</th></tr><tr><td>62.....</td><td>5.</td></tr><tr><td>60.....</td><td>30.</td></tr><tr><td>55.....</td><td>30 (reduced annuity).</td></tr><tr><td>Any.....</td><td>25 (after involuntary separation—reduced annuity).</td></tr><tr><td>50.....</td><td>20 (after involuntary separation—reduced annuity).</td></tr><tr><td>50¹.....</td><td>20 (investigatory employees).</td></tr></table>	Age	Years of service	62.....	5.	60.....	30.	55.....	30 (reduced annuity).	Any.....	25 (after involuntary separation—reduced annuity).	50.....	20 (after involuntary separation—reduced annuity).	50 ¹	20 (investigatory employees).
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Disability retirement.....	Employee who becomes disabled after 5 years of civilian service may retire on immediate annuity. Annuity is stopped if employee recovers from disability. No minimum annuity.	<p>Same as before, except that annuity is also stopped if earning capacity is restored even though recovery has not occurred.</p> <p>The minimum disability annuity is the lesser of: 40 percent of average salary, or the annuity computed under the general formula after adding the years elapsing between separation and attainment of age 60. Annuity larger than the minimum is payable if earned by the retiring employee.</p>																										
Survivor annuity, payable after death of an employee.	<p>5 years' civilian service:</p> <p>Widow, $\frac{1}{2}$ employee's earned annuity, beginning (1) at age 50, or (2) immediately if then beyond age 50 or if a child also survives.</p> <p>Children, if a widow survives, child receives least of:</p> <p>(1) $\frac{1}{2}$ employee's earned annuity,</p> <p>(2) \$900 divided by number of children, or</p> <p>(3) \$360.</p> <p>Children only, child receives least of:</p> <p>(1) $\frac{1}{2}$ employee's earned annuity,</p> <p>(2) \$1,200 divided by the number of children, or</p> <p>(3) \$480.</p>	<p>5 years' civilian service:</p> <p>Widow or dependent widower, $\frac{1}{2}$ employee's earned annuity beginning immediately.</p> <p>Children: who received more than $\frac{1}{2}$ of support from deceased employee who is survived by wife or husband, child receives least of:</p> <p>(1) 40 percent of average salary divided by number of children,</p> <p>(2) \$600, or</p> <p>(3) \$1,800 divided by number of children.</p> <p>Children only, child receives least of:</p> <p>(1) 50 percent of average salary divided by number of children,</p> <p>(2) \$720, or</p> <p>(3) \$2,160 divided by number of children.</p>																										
Survivor annuity, payable after death of annuitant.	<p>After retirement on immediate annuity for disability or with at least 15 years' service:</p> <p>Widow or widower, annuity (only if retiring employee so elected) of $\frac{1}{2}$ of annuitant's earned rate beginning (1) at age 50, or (2) immediately if then beyond age 50. Widow receives immediate annuity to age 50 if child also survives.</p> <p>Children, same as payable after death of employee.</p>	<p>After any type of retirement:</p> <p>Widow or widower, annuity (only if retiring employee so elected) of $\frac{1}{2}$ of so much of annuitant's earned rate as is designated by him, beginning immediately.</p> <p>Children, same as payable after death of employee.</p>																										

Highlights of civil-service retirement system before and after 1956 amendments—Con.

Feature	Before (employees separated before Oct. 1, 1956)	After (employees in service on or after Oct. 1, 1956)
Refunds.....	An employee may receive a refund of his deductions if he is separated with less than 20 years of civilian service and before becoming eligible for age or optional retirement. Interest is computed to date of separation. Rate is 4 percent to Dec. 31, 1947, 3 percent thereafter.	Employee may receive refund, regardless of length of service, if he is separated and files claim at least 31 days before the earliest commencing date of any annuity for which he is eligible. Same as before, except interest stops on Dec. 31, 1956 if employee has 5 or more years of civilian service.
Creditable service.....	No credit allowed for any period of separation from service. Credits honorable active military service if employee is not receiving retired pay, or if he is receiving retired pay (1) based on a service-connected disability incurred in combat with an enemy or resulting from an explosion of an instrument of war or (2) awarded under title III of Public Law 810, 80th Cong. Military service creditable for retirement may not be used for social security purposes.	Credit is allowed for separation periods of 1, 2, or 3 days. Same as before, except "explosion" of instrument of war is not required for credit purposes.
	Military furlough from civilian position may continue indefinitely.	Denies retirement credit for military service performed after December 1956, if employee or his widow or child receives social security benefit based on his wages or self-employment income. Military furlough terminates after 5 years of military service, but not before Dec. 31, 1956. This termination is for retirement purposes only and employment status and any reemployment rights are not affected. The requirement of special qualifications for reemployment is eliminated.
Reemployment of annuitants.	An annuitant who has reached age 60 may be reemployed only if he has special qualifications. In case of reemployment before age 60, annuity is discontinued during reemployment. Annuity is recomputed for all service if individual works at least a year. In case of reemployment at or beyond age 60, individual's salary is reduced by annuity paid during reemployment. His retirement benefits remain unchanged.	In the case of a disability annuitant who recovers before reaching age 60, and in the case of a person receiving annuity based on an involuntary separation (other than for age), annuity is discontinued during reemployment, and annuity is recomputed for all service if he works at least a year. For all others, salary during reemployment is reduced (except for lump-sum leave purposes) by annuity paid during reemployment. If he performs actual full-time service for at least 1 year, his annuity will be increased by annuity earned during reemployment.

TABLE 1.—Approximate monthly employee annuities under civil-service retirement system before and after 1956 amendments

Average annual salary	Single		Married, with spouse same age		Single		Married, with spouse same age	
	Before	After	Before	After	Before	After	Before	After
	Mandatory retirement, age 70, 45 years' service				Disability retirement, age 55, 30 years' service			
\$2,500.....	\$176	\$167	\$165	\$163	\$133	\$125	\$121	\$122
\$3,500.....	237	233	220	225	159	167	144	163
\$4,500.....	276	300	255	285	185	212	166	206
\$7,500.....	422	500	388	465	295	352	261	331
\$10,000.....	563	667	513	615	375	469	342	437
	Optional retirement, age 60, 35 years' service				Disability retirement, age 55, 10 years' service			
\$2,500.....	\$154	\$146	\$146	\$142	\$45	\$63	\$40	\$61
\$3,500.....	185	196	173	191	53	80	49	78
\$4,500.....	215	249	200	240	61	99	56	96
\$7,500.....	342	414	317	388	100	164	91	162
\$10,000.....	438	552	400	512	133	219	121	215
	Optional retirement, age 62, 15 years' service				Disability retirement, age 45, 10 years' service			
\$2,500.....	\$67	\$63	\$63	\$61	\$45	\$33	\$37	\$32
\$3,500.....	80	80	75	78	53	117	45	115
\$4,500.....	93	99	88	97	61	150	52	148
\$7,500.....	149	164	141	160	100	250	84	247
\$10,000.....	198	219	185	212	133	333	111	330
	Optional retirement, age 55, 30 years' service				Involuntary separation, age 50, 25 years' service			
\$2,500.....	\$112	\$119	\$103	\$116	\$77	\$89	\$69	\$86
\$3,500.....	136	159	123	155	93	117	82	114
\$4,500.....	157	201	143	196	108	148	94	145
\$7,500.....	251	334	223	310	173	246	150	236
\$10,000.....	334	445	295	416	230	328	197	310

CIVIL SERVICE RETIREMENT BENEFITS

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TABLE 2.—Approximate monthly survivor annuities under civil service retirement system before and after 1956 amendments

5 YEARS' SERVICE

Average annual salary	Widow		Children, if widow also survives					
	Before	After	1 child		2 children		3 children	
			Before	After	Before	After	Before	After
\$2,500.....	\$11	\$10	\$5	\$50	\$10	\$84	\$15	\$84
\$3,500.....	14	13	6	50	12	100	18	117
\$4,500.....	16	15	7	50	14	100	21	150
\$7,500.....	24	23	13	50	26	100	39	150
\$10,000.....	33	31	17	50	34	100	51	150

15 YEARS' SERVICE

\$2,500.....	\$33	\$31	\$17	\$50	\$34	\$84	\$51	\$84
\$3,500.....	40	40	20	50	40	100	60	117
\$4,500.....	47	50	23	50	46	100	69	150
\$7,500.....	74	82	32	50	64	100	81	150
\$10,000.....	100	109	32	50	64	100	81	150

25 YEARS' SERVICE

\$2,500.....	\$55	\$52	\$28	\$50	\$56	\$84	\$81	\$84
\$3,500.....	67	69	32	50	64	100	81	117
\$4,500.....	77	87	32	50	64	100	81	150
\$7,500.....	124	146	32	50	64	100	81	150
\$10,000.....	165	193	32	50	64	100	81	150

35 YEARS' SERVICE

\$2,500.....	\$77	\$73	\$32	\$50	\$64	\$84	\$81	\$84
\$3,500.....	93	98	32	50	64	100	81	117
\$4,500.....	108	126	32	50	64	100	81	150
\$7,500.....	173	207	32	50	64	100	81	150
\$10,000.....	230	276	32	50	64	100	81	150

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CIVIL SERVICE RETIREMENT BENEFITS

TABLE 3.—Approximate monthly survivor annuities under civil service retirement system before and after 1956 amendments

5 YEARS' SERVICE

Average annual salary	Children only, no surviving widow or widower					
	1 child		2 children		3 children	
	Before	After	Before	After	Before	After
\$2,500.....	\$11	\$60	\$22	\$104	\$33	\$105
\$3,500.....	14	60	28	120	42	147
\$4,500.....	16	60	32	120	48	180
\$7,500.....	24	60	48	120	72	180
\$10,000.....	33	60	66	120	99	180

15 YEARS' SERVICE

\$2,500.....	\$33	\$60	\$66	\$104	\$99	\$105
\$3,500.....	40	60	80	120	105	147
\$4,500.....	42	60	84	120	105	180
\$7,500.....	42	60	84	120	105	180
\$10,000.....	42	60	84	120	105	180

25 YEARS' SERVICE

\$2,500.....	\$42	\$60	\$84	\$104	\$105	\$105
\$3,500.....	42	60	84	120	105	147
\$4,500.....	42	60	84	120	105	180
\$7,500.....	42	60	84	120	105	180
\$10,000.....	42	60	84	120	105	180

35 YEARS' SERVICE

\$2,500.....	\$42	\$60	\$84	\$104	\$105	\$105
\$3,500.....	42	60	84	120	105	147
\$4,500.....	42	60	84	120	105	180
\$7,500.....	42	60	84	120	105	180
\$10,000.....	42	60	84	120	105	180

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